



NEWS RELEASE

CALIFORNIA STATE TREASURER PHIL ANGELIDES

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TREASURER ANGELIDES HIGHLIGHTS STRONG PROGRESS OF 'DOUBLE BOTTOM LINE' INVESTMENTS IN CALIFORNIA COMMUNITIES

ANGELIDES SAYS MAIN STREET IS PERFORMING BETTER THAN WALL STREET; INNER CITY COMMUNITIES CONTINUE TO PROVIDE 'ENORMOUS OPPORTUNITIES FOR SMART INVESTORS'

LOS ANGELES, CA – California State Treasurer Phil Angelides, addressing approximately 400 Los Angeles-area community leaders today, said his three-year-old *Double Bottom Line* investment initiative – which calls for increased public and private investment in California communities – has shown impressive progress and returns.

“Over the past few years, while stock portfolios took a beating on Wall Street and working Americans saw their retirement savings swallowed up in a wave of corporate scandal, Californians saw promising returns on investments of a different sort – investments in the homes of their neighbors, in the businesses of their own communities, and in the future of our economy,” Angelides told those gathered here at the second annual “Tools to Revitalize California Communities” conference.

Angelides said the “recent tumultuous times on Wall Street have taught an important lesson. While many traditional investment strategies floundered, investments in California’s ‘emerging markets’ – those communities too often overlooked by investors, but holding the potential for economic growth – have yielded solid returns.”

He pointed, for example, to the California Urban Investment Partnership, an inner city real estate development initiative of the California Public Employees’ Retirement System (CalPERS). The program earned a 19.6 percent return in 2002, and has earned an annualized return of 11.1 percent since its inception in 1996. CalPERS’ original investment of \$50 million in this program has been increased significantly, to \$290 million, according to the Treasurer, who sits on the CalPERS board.

In addition, the State’s Pooled Money Investment Account (PMIA), managed by the State Treasurer’s Office, has invested more than \$1.7 billion in Community Reinvestment Act loans – home loans for low- and moderate- income Californians or in low- and moderate- income neighborhoods. Those investments, in turn, are currently yielding more than 5.87 percent annually. And the PMIA has invested \$450 million in small business loans made in California, investments that have produced annualized returns of 1.3 percent to more than 7 percent annually.

“In fact,” Angelides said, “investing in our urban communities has proven to be a prudent strategy that is netting good returns – even compared with so-called ‘safe’ stocks, such as banking, health care and consumer-product companies.” While the State saw positive returns on its urban investments in 2002, the Standard & Poor’s 500 Index fell by 22 percent.

The Treasurer pointed out that by 2050, today’s “minorities” will represent more than 50 percent of the nation’s population, and will have an annual buying power of \$6.3 trillion. The U.S. Department of Commerce estimates that 70 percent of workforce growth this decade will be among minority groups.

“The intersection of that growth and spending power could yield tremendous economic prosperity,” Angelides said. “With an expanding labor force waiting to be put to work, existing but underutilized public works and transportation systems, relatively affordable real estate, and high population density that translates into tremendous market power, the State’s currently underserved inner city communities can provide enormous opportunities for smart investors.”

In South Los Angeles, for example, a recent study found 65 percent fewer grocery stores, 40 percent fewer financial institutions, and 20 percent fewer clothing stores per capita than in the rest of Los Angeles County. A 1995 study showed that more than 40 cents out of every dollar spent on groceries by South Los Angeles residents went to stores outside their community. In short, these emerging markets hold vast, untapped market potential.

“Wise investors are beginning to see this potential,” the Treasurer said. Federal Reserve Chairman Alan Greenspan has said that the federal Community Reinvestment Act of 1977 – which required banks to expand lending to inner city businesses and homeowners – has not compromised banks’ safety and soundness. In fact, he has warned that “failure to recognize the profitable opportunities represented by minority enterprises not only harms these firms, it harms the lending institutions as well.”

Angelides said that is why California needs to continue its pace of making investments that meet the “double bottom line” – producing positive financial results and also lifting up its urban communities.

“If recent history has taught us anything,” he said, “it is that our investment strategies should focus on long-term value, and not on short-term gains that are unsustainable over the long haul. What, then, could be a better investment than our own families, our own communities, and a brighter economic future for us all?”

The two-day conference, which concluded on Friday, was sponsored by the California Debt and Investment Advisory Commission, which is chaired by the Treasurer. Conference co-sponsors include the City of Los Angeles Human Relations Commission and the Local Government Commission.